GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:332
ANSWERED ON:07.12.2007
AGRAHAYANA SAKA AGRICULTURE RURAL CREDIT PROGRAMME
Patel Shri Kishanbhai Vestabhai;Singh Shri Sugrib

Will the Minister of FINANCE be pleased to state:

(a) whether there is a need for improvement in the agricultural rural credit programme as reported in Financial Express dated November 9, 2007;

(b) if so, the details thereof;

(c) whether the Advisory Committee on flow of credit particularly for small and marginal farmers under the chairmanship of Professor Vijay Shankar Vyas has submitted its report in this regard;

(d) if so, the details thereof; and

(e) the action taken by the Government thereon?

Answer

THE MINISTER OF FINANCE (SHRI P.CHIDAMBARAM)

(a) to (e) : A Statement is laid on the Table of the Lok Sabha.

Statement referred to Parts (a) to (e) of Lok Sabha Starred Question No. 332 to be answered on 7th December, 2007, regarding Agriculture Rural Credit Programme, tabled by Shri Sugrib Singh and Shri Kishanbhai V. Patel.

(a) to (e) : The flow of agriculture credit has more than doubled in the last three years from Rs. 86,981 crore in 2003-04 to Rs. 2,03,297 crore in 2006-07. This has been possible due to the following steps taken by Government of India (GoI) to ensure availability of timely and affordable credit for farm sector :-

The Government of India (GoI) is providing interest subvention @ 2% per annum to Public Sector Banks, Regional Rural Banks (RRBs) and Cooperative Banks on their own funds and concessional refinance to Cooperative Banks and RRBs since Kharif 2006-07 to ensure Short Term crop loans upto Rs.3 lakh to famers at interest rate of @ 7% per annum at the ground level.

The GoI has stipulated a target of Rs.2,25,000 crore for agricultural credit flow by all the banks during 2007-08.

Commercial Banks and Regional Rural Banks have been successful in financing 50 lakhs new farmers during each of the last three year.

Banks have simplified the procedure for documentation for agricultural loans.

Loans upto Rs.50,000/- have been made collateral and margin free and the requirement of 'No Dues Certificate' has been dispensed with.

Banks have been advised to provide all eligible farmers with Kisan Credit Cards.

Banks have been instructed to achieve financial outreach through provision of a General Credit Card to households, to open "No Frills" accounts with limited overdraft facilities, to extend financial outreach by utilizing services of Civil Society Organisation like Farmers Clubs, Non Governmental Organisations (NGOs), Post Offices as Business Facilitator/Business Correspondent Model, etc.

The Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System set up by the Reserve Bank of India under Chairmanship of Prof. V.S. Vyas had examined various issues relating to agriculture credit and submitted its final report on June 30, 2004.

Several recommendations of the Vyas Committee have been accepted and communicated to the Banks for implementation. These, inter-alia, include :
(i) waiver of margin/security norms for agricultural loans upto Rs.50,000/-, and in case of loans for agri-clinics and agri- businesses upto Rs.5 lakh;
(ii) bringing about procedural simplifications; and

(iii) financing of oral lessees and landless agricultural labourers through the Self Help Group and Joint Liability Group approach.